



July 31, 2012

Aboriginal Affairs and Northern Development

North Mackenzie District

P.O. Box 2100

Inuvik, NT X0E 0T0

Attention: Jozef Carnogursky, Resource Management Officer (Inspector)

Re: Reclamation Program at Tree River C-36 and Thunder River N-73

Chinook Energy Inc. (Chinook) submitted a letter to Aboriginal Affairs and Northern Development Canada (AANDC) on June 28, 2012 indicating Chinook's deferral of the outstanding site reclamation activities for the above captioned locations. On July 4, 2012 AANDC submitted an Order to Chinook to complete the Reclamation Program at Tree River C-36 (Permit No: G02A011) and Thunder River N-73 (Permit No: G02A013). AANDC ordered reclamation work for these 2 locations to be completed by September 30, 2012.

As per our telephone conversation (July 10, 2012): Chinook is respectfully requesting an extension of the deadline until December 31, 2014. This letter is a response to the AANDC Order (July 4, 2012).

Although these sites warrant additional site reclamation please note that assessment and development of a reclamation plan has been ongoing for the past 3 years. The work completed to date has provided data necessary to develop a reclamation plan and budget. Over the past 3 years, Chinook has completed environmental assessment and monitoring the subject sites and believes that the proposed deferral of the reclamation program will not have an adverse effect on the environment.

Tree River C-36: Surface water is collecting within and moving across the subsided sump. Cap integrity was assessed in 2010 and inspected in 2011. Impacts due to erosion of the sump cap and potential leaching of sump contents are minimal. The surface water collecting within the sump and sump outflow were sampled and compared to background water quality. The results of the sump assessment and water sampling indicate that although undesirable, the subsided sump cap and surface water flow poses no significant adverse environmental impact at this time.

Chinook Energy Inc.

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Thunder River N-73: The sump cap at this location has also subsided. Cap integrity was assessed in 2010 and inspected in 2011. Surface water is not currently collecting in or moving through the subsided sump. The results of the sump assessment indicate that although undesirable, the subsided sump cap poses no significant adverse environmental impact.

In the spring of 2012 Chinook received a reclamation cost estimate for site restoration work. Following a review of the provided project cost in light of the current fiscal environment, Chinook felt a deferral of proposed project work was required.

The required site reclamation work involves specialized equipment (heavy-lift helicopters, sugloos, heli-portable excavators, dump trucks, etc.) and technical services. The required equipment and services cannot feasibly be coordinated and the site work cannot be completed before the AANDC ordered deadline of September 30, 2012. Chinook respectfully requests an extension on the AANDC Reclamation Order until December 31, 2014. Deferral will allow time to budget, schedule and book the equipment & services required to complete the reclamation project. Chinook does not feel that the deferral of the site reclamation project will result in any significant adverse environmental impact.

Chinook remains committed to completing the reclamation work on these sites and will continue to work both internally and with our consultants towards having this work completed by December 2014.

At your earliest convenience, please indicate if the proposed deadline of December 31, 2014 would be acceptable to AANDC. Should you have questions or require additional information please feel free to contact the undersigned (Ph: 403-290-4901, Email: darrent@chinookenergyinc.com).

Sincerely,
CHINOOK ENERGY INC.

A handwritten signature in black ink, appearing to read 'Darren Tomecek', written in a cursive style.

Darren Tomecek, P.Geol.
Manager, Environment & Regulatory Compliance

CC: Helga Harlander, Gwich'in Land and Water Board
Tim Halpen, COO, Chinook Energy Inc.
Ryan White, VP Drilling, Chinook Energy Inc.